

Message Text

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ACTION SS-14

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E.O. 11652: N/A

TAGS: EFIN, IT

SUBJECT: ECONOMIC SITREP NO. 26, TUESDAY, DECEMBER 7

REF: ROME 19849

1. SUMMARY. PRESS REPORTS LITTLE ON SUBSTANCE OF ANDREOTTI VISIT. WELCOMING REMARKS OF PRESIDENT FORD AND REPLY OF ANDREOTTI REPORTED WITH FORD'S REMARKS ON ITALY'S PARTNERSHIP IN ATLANTIC ALLIANCE EXTENSIVELY QUOTED. SUBSTANCE OF "NEW YORK TIMES" INTERVIEW WITH ANDREOTTI WHICH APPEARED COINCIDENTAL WITH VISIT TO U.S. GIVEN WIDE COVERAGE. PARTIAL FREEZE OF WAGE COST-OF-LIVING ESCALATOR VOTED OUT OF COMMITTEE IN CHAMBER OF DEPUTIES. LIRA EXCHANGE RATE CONTINUES STEADY. END SUMMARY.

2. ANDREOTTI VISIT TO U.S. PRESS COVERED PRESIDENT FORD'S WELCOMING REMARKS AND ANDREOTTI'S REPLY WITH LENGTHY QUOTATIONS, ESPECIALLY OF FORD'S REMARKS EMPHASIZING ITALY'S PARTNERSHIP IN THE ATLANTIC ALLIANCE. HEADLINES ON TRIP WERE SHARED WITH DETAILED COVERAGE OF ANDREOTTI INTERVIEW WITH "NEW YORK TIMES" PUBLISHED COINCIDENTALLY WITH VISIT. THUS FAR THERE HAS BEEN LITTLE TO NO COVERAGE ON ACTUAL SUBSTANCE OF TALKS BUT CONSIDERABLE REHASH OF EXPECTED THEME OF TALKS RESULTING IN FINANCIAL COMMITMENT BY U.S. AND SCHEDULED APPOINTMENTS WITH KISSINGER, SIMON, BURNS AND OTHER OTHERS.

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3. PARTIAL FREEZE OF WAGE COST-OF-LIVING ESCALATOR NEARS LAST

HURDLE. GOVERNMENT DECREE LAW TO PARTIALLY FREEZE WAGE COST-OF-LIVING ESCALATOR WAS VOTED OUT OF COMMITTEE OF CHAMBER OF DEPUTIES TODAY AND WILL BE CONSIDERED BY FULL CHAMBER ON THURSDAY, DECEMBER 9. MEASURES HAS ALREADY BEEN RATIFIED BY SENATE AND MUST BE RATIFIED BY CHAMBER OF DEPUTIES BY MIDNIGHT, DECEMBER 10 OR DECREE LAW WILL AUTOMATICALLY EXPIRE.

4. MARKET DEVELOPMENTS. LIRA REMAINS STATIONARY IN A VERY QUIET MARKET. LIRA/DOLLAR RATE 865.35 ON DECEMBER 7 COMPARED TO 865.40 ON DECEMBER 6. OTHER MONEY MARKET RATES ALSO STABLE. STOCK PRICES CONTINUE TO MOVE UP, WITH PREDICTABLE POSITIVE IMPACT ON BOND PRICES.BEAUDRY

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